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Ms Ruth Owen CBE
Taxation Ombudsman
GIC Remissions Review
GPO Box 551
Sydney NSW 2001

Email: consultations@igt.gov.au

10 October 2025

Dear Ms Owen,

Review: ATO's management of remission of the general interest charge

CPA Australia is Australia's leading professional accounting body and one of the largest in the world. We represent the diverse interests of more than 175,000 members in over 100 countries and regions. We make this submission in response to the Taxation Ombudsman's **Review: ATO's management of remission of the general interest charge** on behalf of our members and in the broader public interest.

CPA Australia welcomes the opportunity to contribute to the Taxation Ombudsman's Review: ATO's management of remission of the general interest charge (GIC).

Feedback from our members indicates growing concern about the increasingly inflexible, prescriptive and indifferent approach adopted by the ATO in administering GIC remission. Members report that this tightening of policy is having a disproportionate impact on small businesses, vulnerable taxpayers, and those seeking to engage with the ATO in good faith.

Key issues raised by our members include:

- **Inconsistent processing and communication:** The time taken to process GIC remission requests varies depending on the method of lodgment, with some requests reportedly lost when sent by fax or mail.
- **Lack of fairness and proportionality:** Members perceive that the ATO does not always take into account the specific circumstances of taxpayers, particularly where delays are due to reasonable or uncontrollable factors.
- **Financial stress and business risk:** The ATO's tighter approach to GIC remission and payment plan approvals combined with the non-deductibility of GIC from 1 July 2025 is increasing financial pressure on small businesses and heightening the risk of business failure.
- **Inconsistent decision-making:** GIC remission outcomes are not applied fairly or consistently, especially for vulnerable taxpayers, victims of fraud, and those with related entities. Differences are also observed between represented and unrepresented taxpayers.
- **Weak internal processes and training:** Members describe the ATO's internal quality assurance and staff training as haphazard, contributing to inconsistent outcomes.

- **Limited review mechanisms:** There appears to be no robust or accessible internal process for taxpayers to challenge remission decisions. In many cases, reversals occur only after external escalation or legal proceedings.
- **Insufficient reasoning and communication:** Taxpayers are often not provided with clear or complete reasons for decisions not to remit interest.
- **Failure to consider underlying causes:** The ATO frequently does not account for the circumstances that caused payment delays or the taxpayer's efforts to address them.
- **Lack of proportionality (or materiality):** The same burdensome evidentiary and procedural requirements are applied to small debts as to large or complex cases, resulting in unnecessary costs and administrative inefficiency.

CPA Australia believes there is a strong case for the ATO to adopt a more proportionate, transparent and empathetic approach to GIC remission to improve confidence in the tax system and support sustainable compliance outcomes.

Please refer to the Appendix for our detailed discussions on the response to the six consultation questions. We are also happy to organise a discussion with you and our members to discuss these issues further.

If you have any queries, please contact Jenny Wong, Tax Policy Lead on jenny.wong@cpaaustralia.com.au or Bill Leung, Tax Technical Advisor on bill.leung@cpaaustralia.com.au

Yours sincerely,

Jenny Wong
Tax Policy Lead

Appendix

Consultation Questions

1) Whether ATO policy, communications and guidance to staff and the public clearly explain how GIC remission requests should be considered, including:

a) when and how remission requests can be made

On the ATO website, it states that taxpayers generally need to **write** to the ATO to request a remission of GIC, including through **Online services – for business and agents** or by **fax or mail**. For GIC requests, taxpayers need to explain in detail the circumstances, including relevant dates that led to the delay in payment and any steps they have taken to reduce the delay.

The problem is that there is a difference in processing time depending on which method the GIC remission was lodged, or they get lost in the system when sent by fax or mail. Our members provide the following examples:

"The ATO penalising taxpayer for lodging in paper form and ATO delays in processing where reason was quantum of the amount exceeded what ATO systems permitted to be lodged electronically."

And:

"When lodging through the Tax Agent portal where there is a tax agent involved, they get a different version of this, stating it should be for their lodgments only and not those made on behalf of lawyers. I have had multiple lost in the system when sending via fax or post, which is why I started providing them in this way."

And:

"We have seen on a number of occasions many clients not realising they have an outstanding tax liability because the ATO only communicated to the client through MyGov which the client has never used or sometimes does not know how to access. Perhaps an example on this would be helpful and how the guiding principles would apply in this type of situation."

b) the criteria for full remission and partial remission

On the ATO's website, in deciding whether to remit GIC, the ATO **considers** things like:

- the circumstances that caused the delayed payment resulting in GIC
- how these circumstances prevented you from paying by the due date
- what steps you've taken to reduce the delay.

The ATO looks at whether the taxpayer was responsible for the delay in payment or if it was outside their control. For example, if it was due to a natural disaster, industrial action, the unforeseen collapse of a major debtor or the sudden ill health of key staff. If the taxpayer was responsible for the delay, the ATO will also consider whether it is fair and reasonable to remit the GIC. The ATO will also initiate remission if it is appropriate to do so under **PS LA 2006/8**.

The problem is our members perceive that the ATO does not seem fair or reasonable in its consideration of the specific circumstances of their clients. Our members said the tightening of GIC remission by the ATO results in the following:

"The remission process can feel punitive and transactional rather than supportive and understanding."

And:

"There's a lack of awareness and clear guidance on when remissions may be granted, both for taxpayers and agents."

As such, our members perceive the ATO as increasingly inflexible, indifferent and prescriptive as it tightens its GIC remission position.

2) The reasons behind the ATO's recent decision to tighten up its remission of GIC and the intended outcomes

In general, our members understand the ATO's decision to tighten its remission of GIC is, as stated by the Commissioner of Taxation, is "largely due to adjustments through COVID, collectable debt is now over $50 billion, with our broader debt book over $100 billion, compared to total collections in 2023–24 of around $600 billion."[1] On top of this debt book is about another one third of $50 billion from **debts on hold**.

During COVID, the ATO implemented support measures to ease the burden of taxpayers in view of the current economic situation. One of the COVID-19 measures implemented by the ATO is the remission or waiver of interest and penalties imposed on late payments of tax debts. This means the ATO was a source of 'free credit' for taxpayers.

However, our members are concerned that the timing of this policy tightening does not adequately reflect current economic conditions. Australia is experiencing a cost-of-living crisis. Many businesses and households are under increasing financial strain.

Although some sectors are performing well, many small businesses, particularly those operating on thin margins, are struggling to meet existing obligations. Members report that their clients are "living day to day," with limited capacity to absorb additional financial pressures.

Against this backdrop, the combination of:

- a stricter approach to GIC remission and payment plan approvals, and
- the removal of GIC tax deductibility from 1 July 2025,

is likely to exacerbate financial stress for small businesses and increase the risk of business insolvency or failure.

While the ATO's desire to reduce outstanding debt is understandable, CPA Australia members believe a more measured and proportionate approach is needed, one that balances the ATO's debt recovery objectives with the economic realities facing small businesses and individuals.

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[1] Rob Heferen, **Commissioner's address to The Tax Institute's Tax Summit 2024**, Commissioner of Taxation, 12 September 2024

3) Whether remission decisions are made fairly and consistently in line with the policy/practice, including whether:

a) decisions take into account the individual circumstances of taxpayers, including those experiencing vulnerability and victims of fraud

In some cases, our members perceive that GIC remissions are not made fairly or consistently in line with the ATO's policy/practice, in particular, those experiencing vulnerability and victims of fraud. Our members voiced their concerns that many clients experience genuine financial or personal hardship, yet remissions are often denied without proper consideration of individual context.

In one example, our member reported:

"The ATO denied GIC remission because taxpayer could not get statement from his former wife supporting factual circumstances. The reason he could not do so was that there were Apprehended Violence Orders in place - he was a victim of fraud and domestic violence inflicted by his former wife who had mental health issues. He also had near zero digital literacy whilst his wife had been a qualified accountant. That context was provided to the ATO clearly from the outset. We did ultimately get that one reversed only after it was lodged in Court."

Another member reported:

"I had a client who had health and mental issues after a miscarriage and her tax lodgments was not done for BAS. Late lodgement penalties and GIC was levied and when I asked for a remission, the ATO said the request was denied as it did not meet the guidelines."

b) outcomes differ for represented and unrepresented taxpayers

Our members consistently stated that often their clients get a better outcome when asking for a payment plan or GIC remission than when they asked for them on their behalf. This is despite the fact that the ATO said there is no difference between the two populations. Our member provides the following example:

"If I ask for a payment plan for my client, the best I can get is 24 months. If I get my client to call up, they get 36 months."

Furthermore, large multinationals and **high-profile** taxpayers have a non-transparent undisclosed penalty/GIC settlement with the ATO, while small businesses have standard remission and debt collection policies applying to them.

As such, the ATO needs to be transparent and consistent about how it arrives at its decision and that equitable treatment applies irrespective of the size of the taxpayer and whether it is the taxpayer asking for taxpayer concession or the tax practitioner asking for it on their behalf.

c) similar or related taxpayers (e.g. spouses, co-directors, related entities) receive consistent treatment when requesting GIC remission

Our member provides the following example demonstrating ATO's inconsistent tax treatment:

"In three separate GIC remission requests involving the same taxpayer - a director for all three companies - each with identical circumstances, the ATO issued two decline letters with inconsistent instructions:

- "Alternatively, if you believe there are further circumstances that we should have considered when making our decision, you may reapply", or

- "Alternatively, if you believe there are further circumstances that should have been considered when making our decision, you can phone us on 13 11 42.", or
- ATO asked the taxpayer to submit their request with more information."

d) internal quality assurance and training support consistent decision-making

The inconsistent outcomes on GIC remission appear to suggest that the ATO's internal quality assurance and training support could be improved,. Our members provide the following examples:

"There should be clear instructions to front-line staff in relation to cases of automatic remission requests being granted where there is no tax outstanding beyond due dates. Two relevant examples below:

- **Example 1:** BAS lodged late with GST property withholding credits available creating refunds owing: ATO applied GIC to the BAS amount due (before applying credits) from the original payment date. Property GST withholding tax was paid well before due dates by conveyancer. No tax outstanding. Multiple remission requests were denied before finally escalated and remitted (at considerable cost to the client in accounting fees). This GIC should have been automatically remitted by the ATO system.

- **Example 2:** Two related entities in group (not grouped for GST). BAS amended for two entities after original due dates due to late accounting for GST on inter-entity management fees. Net amendment between two entities was nil as GST payable = GST refund in the other entity. GST paid when BAS amendment lodged. Refund delayed a few days due to ATO processing. ATO applied GIC on 'payable' amendment. No credit for interest given on refund. Accountant applied for remission. Remission denied by ATO without reason. Contacted ATO officer who stated reasons letter was available on portal. ATO officer looked and noted that letter was never issued.

  In this case, where there are proper instructions to ATO frontline staff that entities within groups may have offsetting GST amount, this should be an automatic remission of GIC when requested. This has caused unnecessary time and cost for the client and is still not resolved. This appears to be an issue relating to training of frontline staff."

Another member reported:

"Getting through the tax agent phone is an issue. Front liners answering the phone are going through scripts are can only escalate the issue. Escalation does not do anything. Need to raise a complaint to get anything done."

To gain trust and confidence from our members and their clients, the ATO should release its 'policy manual' of how ATO officers make their decisions regarding taxpayer concessions and relief. That is, in lodgement and payment deferrals, payment plans and extensions or penalty and interest remissions.

e) there are robust and accessible processes to internally review a decision where the taxpayer disagrees with the outcome

Our members do not consider the ATO's current internal review processes for GIC remission decisions to be robust, accessible or effective. In practice, taxpayers and their representatives report that there does not seem to be a clear or reliable internal mechanism to review a remission decision once it has been made. Where an objection or complaint is raised, members frequently describe the process as ineffective, with meaningful review often occurring only after external escalation.

In many cases, taxpayers have only achieved a reversal of the ATO's decision once proceedings have been initiated in the courts. This approach is inefficient, inequitable and inconsistent with principles of good administrative practice.

Members provided the following examples:

"The ATO denied GIC remission for a charity that had voluntarily disclosed an inadvertent error involving a complex technical issue. The decision was reversed only after the matter was lodged in court."

"The ATO denied GIC remission because the taxpayer could not obtain a statement from his former spouse to support factual circumstances. Apprehended Violence Orders were in place and the taxpayer was a victim of fraud and domestic violence perpetrated by his former wife, who had mental health issues and significantly greater financial literacy. These details were fully disclosed to the ATO from the outset. The remission was granted only after the case was lodged with the court."

"A client with an ATO debt of almost $x million and an SRO [State Revenue Office] debt of around $x00,000 applied for GIC remission to make the debt manageable. The request was declined, and neither the ATO complaints area nor hardship team could assist. The business was recovering and viable, but the GIC, representing about half the total debt, made restructuring unfeasible."

There is a clear opportunity to strengthen procedural fairness and confidence in the system by:

- Establishing a clear, accessible and independent internal review mechanism for remission decisions, distinct from the original decision-maker;
- Ensuring consistent application of ATO policy and practice across cases, with transparent reasoning and documentation; and
- Providing timely and meaningful engagement with taxpayers and their representatives to resolve disputes without the need for external litigation.

4) Whether taxpayers are given clear and complete reasons for decisions not to remit interest

Our members report that taxpayers are often not provided with clear, complete, or transparent reasons when the ATO decides not to remit interest. The explanations typically lack sufficient detail to help taxpayers understand the basis for the decision or what further information may be required to support a future remission request.

In some cases, members have also observed that ATO officers advise taxpayers to borrow funds to pay their tax debts rather than considering whether remission may be appropriate in light of the taxpayer's individual circumstances. This approach is inconsistent with the principles of fairness and proportionality that should underpin the ATO's administration of interest charges.

One member provided the following example:

"We requested remission of interest and late lodgement penalties for a client, but both requests were declined. While the delay was attributable to the client, we were awaiting confirmation of income and expense treatment through rulings that indirectly affected the client. Once assessments were issued, the client paid promptly, yet both remission requests were refused without meaningful explanation."

To improve transparency and confidence in the remission process, the ATO should:

- Provide clear, specific and complete reasons for all remission decisions and
- Explain what additional information or evidence may be needed to support a successful remission request; and

Greater transparency in decision-making would support procedural fairness, improve taxpayer understanding of ATO processes, and enhance trust and confidence in the tax system.

5) Whether the interaction between GIC remission and payment plans supports fair and effective debt resolution

Our members report that, in practice, the ATO's approach to GIC remission and payment plans does not always reflect the underlying circumstances that led to the delayed payment. In particular, the ATO often appears not to consider:

- the reasons for the taxpayer's inability to pay by the due date;
- how those circumstances affected their ability to meet payment obligations; and
- the actions taken by the taxpayer to rectify the situation or minimise the delay.

This can lead to outcomes that undermine fair and effective debt resolution.

For example, one member reported that after explaining to the ATO that more than 50 per cent of their client's tax debt comprised GIC, and that the client could afford to repay only the primary tax debt, the ATO initially accepted a payment arrangement. However, the client was defaulted within two weeks despite their ongoing efforts to secure finance, and the debt was subsequently listed with a credit reporting agency.

In another example, members observed that the ATO's current payment plan thresholds are overly prescriptive. For tax debts below $200,000, taxpayers are often required to make a 50 per cent upfront payment and repay the balance within 24 months. Previously, a 20 per cent deposit and repayment of the balance over 24 months was routinely accepted. These stricter requirements make it more difficult for taxpayers to enter sustainable payment arrangements, leading many to make ad hoc payments outside formal plans, unfortunately resulting in ongoing GIC accruals.

With the proposed removal of the tax deductibility of GIC from 1 July 2025, these issues will become even more pronounced. Taxpayers who are already attempting to engage with the ATO in good faith will face increasing financial pressure, without appropriate consideration of their circumstances.

6) Whether there are opportunities to improve GIC remission systems and processes, in light of the growing cost impact on taxpayers

A key opportunity for improvement lies in applying the principle of materiality within the ATO's GIC remission process. The current approach often applies the same evidentiary and procedural burden to small, low-value debts as to large or complex cases. This creates unnecessary administrative effort for both taxpayers and the ATO, particularly where the GIC amount is immaterial.

Our members have suggested the following enhancements:

- **Introduce materiality thresholds and simplified remission processes.**
  For otherwise compliant taxpayers with small GIC amounts or isolated late lodgements, remission requests should be capable of being resolved quickly. For example, through a verbal request or an automatic remission for once-off, low-value cases. This would reduce compliance costs and improve fairness. Repeated or higher-value cases could continue to be subject to the standard documentation and review process.

- **Recognise the cost-benefit impact for small businesses.**
  Small business taxpayers often incur professional fees that exceed the GIC amount in dispute, discouraging them from seeking remission even where it is warranted. As a result, the ATO may retain amounts that would likely have been remitted had the process been more accessible. Incorporating a cost-benefit or proportionality test into ATO remission practices would help ensure equitable outcomes.

- **Streamline remission where deferrals have been approved.**
  The ATO should automatically grant remission of GIC and penalties where a registered tax agent has obtained prior approval for lodgment and payment deferrals. Currently, tax agents report that remission requests are frequently rejected or require multiple follow-ups, despite the underlying circumstances being consistent with ATO-approved extensions. Streamlining this process would reduce administrative burden for both tax practitioners and the ATO.

Overall, adopting a risk-based, proportionate and materiality driven approach to GIC remission would improve efficiency, reduce unnecessary disputes, and enhance perceptions of fairness in the system.